

Message Text

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S E C R E T STATE 136829

EXDIS (FOR ASSISTANT SECRETARY ENDERS)

FOLLOWING REPEAT CAIRO 5735 ACTION SECSTATE DATED 10 JUN 75

QUOTE

S E C R E T CAIRO 5735

EXDIS

E.O. 11652: GDS

TAGS: EINV ETRD EG US

SUBJECT: EGYPTIAN CONCERN ABOUT EXIM

SUMMARY: FAHMY ASKS FOR DEPT INTERCESSION IN GETTING
EXIM TO DROP CERTAIN NEWLY STIPULATED GUARANTEE PROVISOS
FOR PROPOSED OMAR KHAYYAM HOTEL AND MINELECTRICITY
LOANS. END SUMMARY.

1. FAHMY SUMMONED ME JUNE 9 TO DISCUSS A NUMBER OF MATTERS
INCLUDING EGYPTIAN UNHAPPINESS WITH EXIM, PARTICULARLY
REGARDING CONDITIONS FOR LOANS TO EGYPTIAN HOTELS AND TOURING
COMPANY (TOURHOTEL) AND MINISTRY OF ELECTRICITY.

2. IN FORMER CASE, TOURHOTEL RECENTLY APPLIED TO EXIM
FOR LOAN OF \$3,375,000 TO COVER HARD CURRENCY COMPONENT
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OF OMAR KHAYYAM HOTEL WHICH IS TO BE UNDER MARRIOTT
SUPERVISION FOR CONSTRUCTION AND MANAGEMENT. FAHMY
STATED THAT ALL OAN PROCEEDS WERE FOR PURCHASE AMERICAN
EQUIPMENT/EXIM, ACCORDING TO HIS STATEMENT, IS STIPULATING

THAT 50 PERCENT OF THE FOREIGN SALES OF THE NEW HOTEL BE DEPOSITED IN A SPECIAL ACCOUNT IN THE BANK OF AMERICA RESERVED FOR EXIM REPAYMENTS. BOA WOULD BE AUTHORIZED TO PAY INSTALLMENTS PLUS INTEREST UNDER SUPERVISION OF NATIONAL BANK OF EGYPT. NORMALLY, FAHMY CONTINUED, THE CENTRAL BANK OF EGYPT GUARANTEES SUCH LOANS. IN THIS INSTANCE, EXIM ALLEGEDLY STIPULATED THAT CENTRAL BANK ENDORSE LETTER OF GUARANTEE TO BE ISSUED BY NATIONAL BANK OF EGYPT AS FOLLOWS: QUOTE: EVIDENCE THAT THE GUARANTEE OF THE GUARANTORS IS FOR AND ON BEHALF OF, AND CONSTITUTES THE UNCONDITIONAL OBLIGATION OF THE GOVERNMENT OF THE ARE, FOR THE PERFORMANCE OF WHICH THE FULL FAITH AND CREDIT OF THE GOVERNMENT OF THE ARE IS PLEDGED. UNQUOTE. THE CENTRAL BANK IS UNABLE TO ISSUE SUCH A GUARANTEE WITHOUT SPECIFIC AUTHORIZATION FROM MINFINANCE. LATTER, IN TURN, CANNOT GRANT SUCH AUTHORIZATION WITHOUT OBTAINING PEOPLE'S ASSEMBLY APPROVAL. TO DO SO WOULD BE TIME CONSUMING AND RAISE ALL KINDS OF PROBLEMS CONCERNING BILATERAL RELATIONSHIPS. FAHMY ASKED DEPT'S INTERCESSION TO URGE EXIM TO DROP THIS STIPULATION.

3. A SECOND, SIMILAR COMPLAINT ABOUT THE NATURE OF REQUIRED GUARANTEES IS MADE ABOUT THE PROPOSED \$10 MILLION LOAN TO MINISTER OF ELECTRICITY. MINISTRY UNDERSEC COMPLAINED TO COMML OFF LAST WEEK THAT EXIM HAD NOT RESPONDED TO THEIR TELEMES OF MARCH, APRIL AND EARLY MAY. COMML OFF WAS INFORMED JUNE 9 THAT CHAIRMAN GEEC RECEIVED REPLY FROM EXIM DATED JUNE 4 WHICH REPEATED REQUIREMENT FOR "FULL FAITH AND CREDIT" OF ARE WHICH CBE CANNOT GIVE WITHOUT AUTHORITY OF MINISTER OF FINANCE WHO, IN TURN, CANNOT DO SO WITHOUT PA APPROVAL. FAHMY, WHO ALSO MENTIONED THIS CASE, CLAIMED MINELECTRICITY READY CONCLUDE CONTRACT IN ABOUT 10 DAYS TIME.

4. NSTERS OF TOURISM AND ELECTRICITY, FAHMY CLAIMED, HAD SEPARATLY RAISED ABOVE ISSUES AT LAST CABINET MEETING. THIS HADLED TO LONG HEATE DISCUSSION OF
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ALLEGED "EXIM RELUCTANCE ASSIST EGYPT", AND TO QUESTION WHY USG, IF IT REALLY MEANS WHAT IT SAYS ABOUT HELPING EGYPT, DOES NOT DIRECT EXIM TO BE MORE FORTHCOMING. MINPETROLEUM HILAL HAD BEEN PARTICULARLY BITTER AND RAKED UP EXIM'S HANDLING OF SUMED LOAN LAST YEAR AS EXAMPLE OF WHAT HE CALLED BANK'S UNREALIABILITY. CABINET REPORTEDLY CONCLUDED "ZIONIST INFLUENCES" IN EXIM MUST BE RE PONSIBLE FOR BANK'S ATTITUDE.

5. I EXPLAINED TO FAHMY THE STATUS OF EXIM VIS-A-VIS THE EXECUTIVE BRANCH OF GOVERNMENT. I RECALLED EXIM HAS PROVIDED SOME LOANS AND THAT CHAIRMAN CASE, WHEN IN CAIRO LAST YEAR, HAD INDICATED READINESS IN

PRINCIPLE CONSIDER MODEST ADDITIONAL LOANS. I REJECTED THE IDEA OF "ZIONIST" OR ANY OTHER INFLUENCES AFFECTING THE BANK'S POLICY. SO FAR AS THE ABOVE STIPULATIONS ARE CONCERNED, I TOLD FAHMY I HAD NOT PREVIOUSLY HEARD OF THEM AND ASKED FOR THE SOURCE OF HIS INFORMATION. HE RESPONDED GHORBAL HAD BROUGHT IT, CLAIMING IT IS A NEWLY IMPOSED EXIM REQUIREMENT. I INDICATED THAT, WHILE I HAD NOT HEARD OF IT, I HAD HEARD THAT EXIM MIGHT BE SUSPENDING ACTION ON LOANS FOR EGYPT BECAUSE OF GOA ARREARAGES FROM JAN 1, 1975,

ONWARDS IN REPAYMENT OF EGYPTIAN OBLIGATIONS TO EXIM. I URGED THAT GOE PAY OUTSTANDING AMOUNTS ON CONSOLIDATED DEBT, ALL THE MORE SO SINCE THESE ARE SMALL, IN ORDER TO PREVENT KIND OF A PROBLEM THAT SEEMS TO HAVE DEVELOPED. FAHMY RESPONDED THAT GOE RECOGNIZES ITS OWN OBLIGATIONS, BUT AS WE ARE AWARE, HAS NO CURRENT FUNDS TO PAY THESE INSTALLMENTS. HE HOPES GOE MAY BE ABLE TO DO SO BEFORE LONG, BUT IN MEANTIME ASKED FOR USG INTERCESSION WITH EXIM TO BE MORE FORTHCOMING ON AFOREMENTIONED LOANS. EILTS

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